

Required Report: Required - Public Distribution

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Report Name: Oilseeds and Products Update

Country: Indonesia

Post: Jakarta

Report Category: Oilseeds and Products

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Report Highlights:

The Government of Indonesia (GOI) has reasserted its commitment to increasing domestic use of palm oil by providing additional revenue and financial assistance to the CPO Fund supporting the nationwide B30 mandate. Palm oil exports and soybean imports are forecast lower due to weakening demand overseas and domestically, respectively.

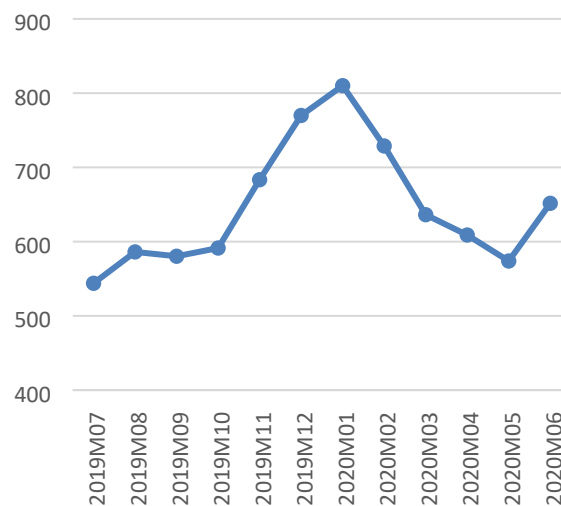
Commodity:
Oil, palm

Production

Post maintains 2019/20 palm oil production at 41.5 million tons and 2020/21 production at 42.5 million tons, unchanged from the [May 2020 Update](#). Recent flooding in Southern Sumatera and West Kalimantan have delayed harvesting and caused logistical challenges, however, no substantial impact is expected on national production.

Following four months of decline, prices increased in June as domestic and overseas economies began to reopen. Post expects seasonally higher productivity trends in the third and fourth quarter combined with lower food service demand and low to negative economic growth to increase stocks for the remainder of 2020.

Figure 1. Palm Oil Price 2019-2020 (\$/ton)



Source: *WB*

Consumption

Post revises its 2019/20 palm oil consumption forecast downward to 13.57 million tons due to decreasing demand in the industrial sector. Post maintains its previous estimate for 2020/21 consumption at 14.525 million tons.

Post maintains its previous estimate for 2019/20 food sector consumption at 5.4 million tons. Although Indonesia has begun the phased ending of its large-scale mobility restrictions (PSBB) policy, many restaurants, hotels and food service providers remain closed or operating at limited capacity.

Post revises its 2019/20 industrial sector consumption downward to 7.9 million tons of palm oil, 100,000 tons lower than forecast in the [May 2020 Update](#). The PSBB policy effectively reduced diesel consumption by 40 percent between April and June. Data from the Biofuels Producer Association (APROBI) shows biodiesel distributions in first five months of 2020 reaching 3.59 billion liters. At annualized volume (8.63 billion liters), this distribution equals 89.6 percent of the total B30 allocation established in late 2019.

Biodiesel production to meet export demand for discretionary blending has greatly diminished due to the widening price spread with diesel. The increasing price spread between diesel and biodiesel has rapidly drained reserves from the CPO fund at the same time as additional resources are needed to support the B30 expansion. The spread reached IDR 4,140 (\$ 0.28) per liter in June 2020; up from IDR 1,540 (\$0.11) per liter in December 2019.

In June 2020, the Jokowi administration demonstrated Indonesia’s resolve to maintain its nationwide B30 program by increasing the palm oil export levy by \$5 per ton and by reinstating a flat collection structure that would no longer consider the market price for CPO when applying the levy. Additionally, the market index price (HIP) formula was also revised to lower the conversion factor from \$100 to \$80 per ton (MEMR Regulation 105/2020), effectively reducing the subsidy paid to biodiesel producers. In a final show of support, the GOI allocated an additional subsidy of IDR 2.78 trillion (\$195 million) from the state budget (APBN) as part of a national economic recovery package to mitigate the impact of the corona virus pandemic. The funds are to be allocated directly to the CPO fund.

Based on APROBI’s annualized biodiesel consumption for 2020, B30 implementation may risk depleting the CPO fund under a scenario of low export performance (24 million tons) and high average price spread (\$0.30 per liter). See Table 1.

Table 1. Projected Exports Levy and Biodiesel Subsidy Scenarios 2020

Palm Oil Products Exports (M ton)		Biodiesel consumption (bn liter)	8.63
Low	24	Average spread (\$/liter)	
High	27		
Levy collected (\$ bn)		Low	0.19
Low	0.87		
High	0.98	High	0.30
Available Balance (\$ bn)	1.13		
Additional Subsidy (\$ bn)	0.24		
Est Available Fund (\$ bn)		Est Subsidy (\$ bn)	
Low	2.24	Low	1.64
High	2.35	High	2.59

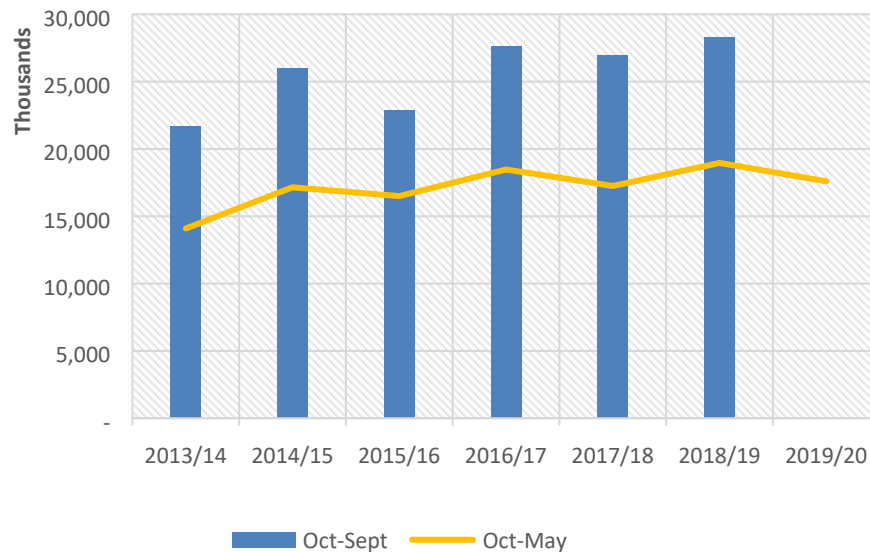
Source: post calculation, media reports

Trade

Post revises 2019/20 exports downward to 26.8 million tons based on weakening demand in major export markets, particularly China and India. In addition to the impact from Covid-19, palm oil demand is expected to weaken in China as the country increases soybean imports for crushing (see [China Oilseeds Update](#)). Lower demand from India's HRI sector as a result of the national lockdown from March to May 2020 is expected to decrease that country's imports in 2019/20 (see: [India Oilseeds Annual](#)).

Post estimates 2020/21 palm oil exports will rebound to 27.8 million tons as key export markets stabilize and begin to recover from the pandemic.

Figure 2. Indonesia Palm Oil Exports 2013-2020 (tons)



Source: TDM

Policy

The Indonesian Sustainable Palm Oil (ISPO) standard is now regulated through [Presidential Regulation \(Perpres\) 44/2020](#), replacing ministerial-level regulations on the same subject. The regulation mandates all growers, including both large plantations and smallholders, be certified before 2025.

Oil, Palm	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct-18		Oct-19		Oct-20	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted						
Area Harvested	11,300	14,667	11,750	15,104	11,950	15,700
Trees	-	-	-	-		0
Beginning Stocks	3,079	3,079	2,663	2,663	3,993	3,793
Production	41,500	41,500	42,500	41,500	43,500	42,500
MY Imports	84	84	-	-	-	-
Total Supply	44,663	44,663	45,163	44,163	47,493	46,293
MY Exports	28,279	28,279	27,500	26,800	28,750	27,800
Industrial Dom. Cons.	7,656	7,656	7,900	7,900	8,500	8,500
Food Use Dom. Cons.	5,800	5,800	5,500	5,400	6,100	5,750
Feed Waste Dom. Cons.	265	265	270	270	275	275
Total Dom. Cons.	13,721	13,721	13,670	13,570	14,875	14,525
Ending Stocks	2,663	2,663	3,993	3,793	3,868	3,968
Total Distribution	44,663	44,663	45,163	44,163	47,493	46,293
	0	0	0	0	0	0

(1000 HA) ,(1000 TREES) ,(1000 MT)

Commodity:
Oilseeds, soy

Production

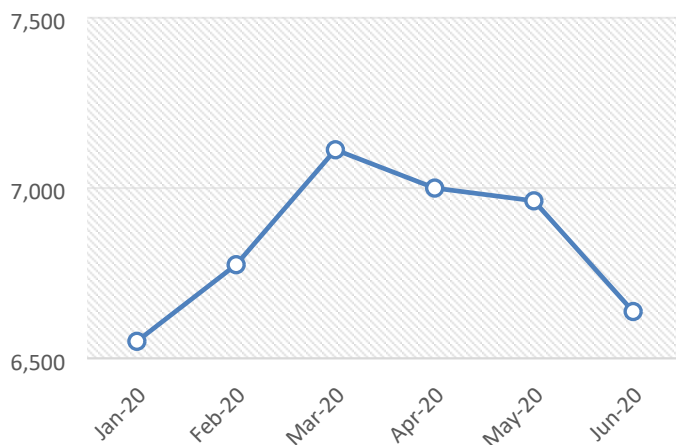
Post maintains 2020/21 soybean production at 470,000 tons, 10,000 tons lower than 2019/20 based on lower harvested area.

Consumption

Post maintains 2019/20 soybean for human consumption at 2.75 million tons, 8 percent lower than 2018/19. Most soybean for food use is processed into tempeh and tofu, staple foods of the Indonesian diet. Lower consumption as a result of business closures and social distancing restrictions along with fluctuations in the value of the rupiah have forced many small-scale producers to halt production, scale-back package size or reduce margins. Although some restrictions were lifted in mid-June, slower demand is expected to continue throughout 2020 as restaurants impose capacity restrictions and many workers continue to telework part or full-time. Post maintains 2020/21 consumption at 2.8 million tons.

Post revises 2019/20 and 2020/21 soybean use for feed use downward to 160,000 tons based on lower demand for feed from the broiler sector.

Figure 3. Average Soybean Wholesale Price (IDR/kg)



Source: USSEC Indonesia

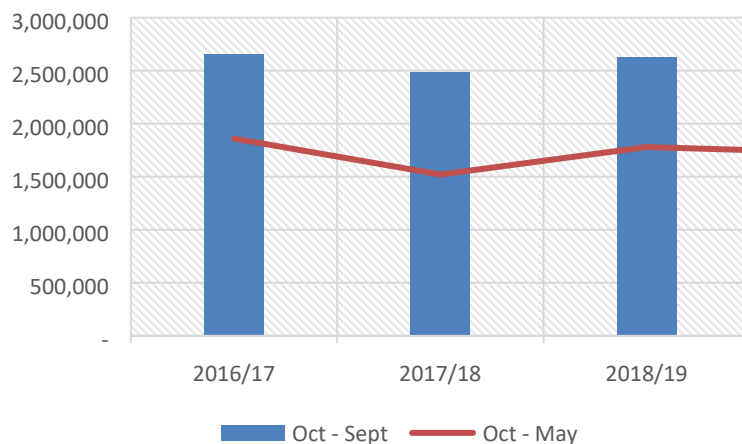
Trade

Soybean imports are expected to decline to 2.35 million tons in 2019/20 based on weakening demand from soy-food producers. As the rupiah stabilizes and restrictions related to Covid-19 are eased, Post anticipates greater demand increasing imports to 2.7 million tons in 2020/21.

U.S. soybean shipments to Indonesia have declined by 14 percent to 1.4 million tons from October 2019 to May 2020, compared to same period last year. Arrivals from U.S. origin in June 2020 are likely to be lower than previous months based on Export Sales Reporting (ESR) data.

Based on the most recent annual data, the U.S. continues to supply more than 95 percent of Indonesia's soybean imports. However, trade data indicates Canadian shipments have consistently increased in recent years, more than doubling to 155,000 tons in 2019/20. The recent spike in shipments to Indonesia occur as Canada's soybean exports to China, previously its largest market, have declined sharply.

Figure 4. Indonesia Soybean Imports 2016-2020 (tons)



Source: TDM

Oilseed, Soybean	2018/2019		2019/2020		2020/2021	
Market Begin Year	Oct-18		Oct-19		Oct-20	
Indonesia	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Planted	450	450	450	440		435
Area Harvested	420	420	400	400	390	390
Beginning Stocks	247	247	226	226	179	146
Production	520	520	480	480	475	470
MY Imports	2,623	2,623	2,600	2,350	2,800	2,700
Total Supply	3,390	3,390	3,306	3,056	3,454	3,316
MY Exports	4	4	2	2	2	2
Crush	0	0	0	0		0
Food Use Dom. Cons.	3,000	3,000	2,950	2,750	3,100	2,800
Feed Waste Dom. Cons.	160	160	175	158	183	160
Total Dom. Cons.	3,160	3,160	3,125	2,908	3,283	2,960
Ending Stocks	226	226	179	146	169	354
Total Distribution	3,390	3,390	3,306	3,056	3,454	3,316
	0	0	0	0	0	0
(1000 HA) ,(1000 MT)						

Commodity:
Meal, soy

Production

Indonesia does not produce soybean meal.

Consumption

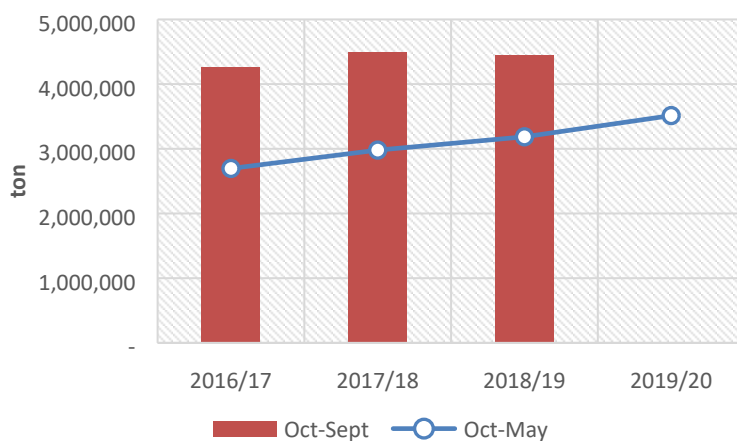
Soybean meal consumption for 2019/20 is revised downward to 4.465 million tons due to weaker demand. Indonesia's broiler industry, the primary user of soybean meal, has experienced weaker demand from the HRI sector as a result of Covid-19 related restrictions. The decline in demand during March and April resulted in a sharp decline of farm gate broiler prices. In an effort to stabilize prices and support small poultry farmers the GOI encouraged policies to reduce the supply of day-old chicks, further reducing short-term demand for feed (read more: [Grain and Feed Indonesia Update](#)). Although prices have since stabilized, weaker demand is expected to continue. Accordingly, Post revises consumption for 2020/21 downward to 4.6 million tons.

Trade

Soybean meal imports for 2019/20 are revised downward 100,000 tons to 4.65 million tons from the previous [March 2020 Annual](#) forecast, reflecting current weakening demand from the feed industry. Imports for 2020/21 are forecast stable at 4.65 million tons.

U.S. origin soybean meal shipments reached 79,000 tons during October 2019 to May 2020, 28 percent lower than the corresponding period of 2018/19. The vast majority Indonesia's soybean meal imports originate from Argentina and Brazil.

Figure 5. Soybean Meal Imports 2016-2020



Source: TDM

Meal, Soybean Market Begin Year	2018/2019		2019/2020		2020/2021	
	Oct-18		Oct-19		Oct-20	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Indonesia						
Crush	-	-	-	-	-	-
Extr. Rate, 999.9999	-	-	-	-	-	-
Beginning Stocks	300	300	124	124	174	309
Production	-	-		-		-
MY Imports	4,449	4,449	4,750	4,650	4,800	4,650
Total Supply	4,749	4,749	4,874	4,774	4,974	4,959
MY Exports	-	-		-		-
Industrial Dom. Cons.	-	-		-		-
Food Use Dom. Cons.	-	-		-		-
Feed Waste Dom. Cons.	4,625	4,625	4,700	4,465	4,750	4,600
Total Dom. Cons.	4,625	4,625	4,700	4,465	4,750	4,600
Ending Stocks	124	124	174	309	224	359
Total Distribution	4,749	4,749	4,874	4,774	4,974	4,959
	-	-	-	-	-	-
(1000 MT),(PERCENT)						

Attachments:

No Attachments